

The BEST NEWS



Baccalaureate Education System Trust * State of Tennessee Treasury Department * Summer 1998 * Volume 2, No. 2



Steve Adams
State Treasurer

Dear BEST Participant:

This issue of "The BEST News" features many new and exciting changes in our program. These changes include: new tax issues which can enhance contributions for program participants; room and board is now considered an eligible expense of the program; and a payroll deduction option has been added as an additional payment method to employers and their

employees who are interested. In addition, we have enhanced the statement so it's easier to read and understand. We are excited about these changes and will continue to provide you with the latest information as our program continues to grow.

I hope you enjoy this issue of "The BEST NEWS" and find it informative. We appreciate your continued interest and participation in our program.

Sincerely,

Steve Adams

Chairman, BEST Board of Trustees

Price Increase

The unit price will increase effective August 1, 1998 to \$26.75 per unit. If you currently purchase a certain number of units each month through ACH or payroll deduction, remember to adjust your amounts to reflect the new price. All changes must be in writing. Unit purchases by check outside the enrollment period (August 1 - October 31, 1998) will be \$28.00 per unit.

BEST Program Changes

The BEST program has undergone several changes over the past year. These changes include:

Room & Board

Good news! Due to recent federal legislation, BEST program participants can now use their prepaid tuition accounts for not only tuition and fees, but also room and board expenses. Unit pricing and payout values are still based on the weighted average tuition rate at Tennessee four-year public institutions, but now you can also use units to pay dorm fees and meal plans if your child plans to live on campus and is enrolled at least half-time. Currently, prepaid tuition units can

(continued on page 3)

Account Information by Telephone

Now your account information can easily be accessed by phone with the simple touch of a few buttons without going through a customer service representative. Your contract number and the last four digits of the beneficiary's social security number are all that will be needed, so be sure to have those numbers ready when you call. You will be given the account balance of units and the last four deposits since the most recent statement.

This new service will be an asset to those callers who just want to know if we have received a payment or how many units are available for use. You can access this information 24 hours a day by calling **1-888-486-BEST**.

See What's Inside

Program Changes	1 & 3
Account Statement	2
Questions & Answers	4

Your BEST Account Statement Has a New Look

You may have noticed your account statement has a new look. These changes were made to make it easier for you to read and understand how your account is doing. The following descriptions explain each section of the account statement.

1 This information is taken from the original contract.

2 Within this memo field, BEST will provide you with general information or reminders.

3 This section is a summary of the unit activity listed in the "Purchases" and "Withdrawals" categories below.

4 This section is a summary of the unit activity listed in the "Purchases" and "Withdrawals" categories since the beginning of the contract.


5 This area provides transaction detail in the current period shown in dollars and units.

6 Current Weighted Average Tuition Unit Value - This value changes each August 1 and is the current payout value.

Units Currently Available for Use - Balance of units in the account that have passed the two-year investment cycle.

Value of Units Currently Available for Use - Units currently available multiplied by the Weighted Average Tuition Unit Rate.

If you have any questions about your account or have trouble reading your Account Statement, please feel free to call our Customer Service Line at **1-888-486-BEST**.



Baccalaureate Education System Trust
 Andrew Jackson Building, Suite 1380
 Nashville, Tennessee 37243-0253
 1-888-486-2378 or (615) 532-8056

ACCOUNT STATEMENT

John Doe
 PO Box 178
 Nashville, TN 37243

Contract ID: 62
 Contract established by: John Doe
 SSN: 111-22-3333
 Beneficiary: Leslie Doe
 SSN: 222-33-4444
 Refund Recipient: John Doe

2 General message area from BEST to participants.

3

PERIOD ACTIVITY 1/1/98 - 6/30/98

Units Purchased This Period:	27.30396
Units Used This Period:	90.00000

4

ACCOUNT ACTIVITY TO DATE

Units Purchased:	395.26252
Units Used:	157.69326
Ending Balance:	237.56926

DETAIL OF CURRENT ACTIVITY

DEPOSIT DATE	UNIT DATE	TYPE OF TRANSACTION	AMOUNT	UNITS
1/1/98		Beginning Unit Balance		300.26530
PURCHASES				
1/15/98	1/15/98	Purchase of units	200.00	8.42105
2/15/98	2/15/98	Purchase of units	200.00	8.42105
3/15/98	3/15/98	Purchase of units	200.00	8.42105
4/25/98	4/25/98	Purchase of units	50.00	2.04081
WITHDRAWALS				
1/1/98	1/1/98	Tuition Payment	1,957.50	90.00000
BALANCE				
6/30/98		Ending Unit Balance		237.56926

6

Current Weighted Average Tuition Unit Value = \$21.75 (Exclusive of administrative costs)
 Units Currently Available for Use (2 year investment period) = 130.00000
 Value of Units Currently Available for Use = \$2,827.50
 Date of Last Weighted Average Tuition Valuation: 8/1/97

BEST Program Changes (continued)

only be used to pay for room and board expenses which are billed through an institution of higher education.

Remember, you can purchase up to 1,500 units per child. If you have purchased enough to pre-pay tuition and fees you may want to add to your child's account to help pay room and board costs. If tuition rates increased faster than room and board, fewer units would be required to pay for room and board. Likewise, if room and board increased faster than tuition, more units would be required.

"Room" expenses are defined as the amount charged by the institution of higher education for a student to reside in a dorm or other housing owned or operated by the institution while the student is attending the institution on at least a half-time basis. Prepaid tuition units cannot be used for payment for off-campus housing. However, if billed through the university, you may use prepaid tuition units for payment of fraternity and sorority house fees. "Board" expenses means a meal plan purchased through the university at the time of registration for use by the student while the student is attending the university on at least a half-time basis. School debit cards cannot be purchased with BEST units since debit cards can be utilized for expenses other than room and board. All payments for tuition, fees, room and board will be paid once per semester to the institution.

Payroll Deduction

Payroll deduction is now available to all employers and offers the same benefits as the ACH debit. You can automatically make regular contributions to a BEST account and receive the lowest price per unit. The \$26.75 rate will apply to all units purchased by payroll deduction from August 1, 1998 to July 31, 1999. Contact your employer to find out if payroll deduction for BEST is available. If payroll deduction is not available, encourage your employer to contact our office for more details.

New Enrollment Period

The new enrollment period for 1998 is August 1, 1998 to October 31, 1998. This is a change from the previous open enrollment period. (Newborns may be en-

rolled into the program at anytime until their first birthday.) Once an account is established, units may be purchased at anytime. Unit purchases by check, ACH or payroll deduction will be \$26.75 per unit during the enrollment period.

Tax Issues

Recent federal tax legislation has made the consequences of participation in a prepaid tuition program very favorable compared to other savings and investment programs.

- Contributions to a prepaid tuition plan are considered gifts of a present interest, eligible to qualify for the annual \$10,000 per person exclusion from gift tax.
- Prepaid tuition contributions are considered to be part of the beneficiary's estate, not the contributor's. This is especially noteworthy to grandparents who may wish to help build their grandchildren's prepaid tuition accounts.

Contact your tax advisor for advice and additional information.

Other Changes

BEST prepaid tuition units can now be used at proprietary schools.

"Family member" has been changed to include step siblings.

August 1 is the deadline for funds to be received by BEST in order for payment to be made to an institution of higher education for the fall semester following the two-year waiting period; previously it was June 1.



Customer Service Corner

Below are some frequently asked questions received on our customer service hotline **1-888-486-BEST**.

Q Where can the units be used? (This question is one of the most frequently asked questions.)

A **One of the unique features of Tennessee's prepaid college plan is that it can be used anywhere in the nation.** You do not have to choose a specific school when you enroll in the program. The tuition units may be applied toward the cost of tuition, mandatory fees and room and board at any accredited two or four-year school or any accredited graduate or professional school – whether public or private, in-state or out-of-state. The units may also be used at accredited junior colleges and technical schools.

Q Now that room and board have been added to the program, do I have to have a different account for units designated for room and board?

A No. You can use your existing account to purchase up to 1,500 tuition units per child to use for tuition, fees, room and board at any accredited college in the country.

Q What if I purchase enough tuition units for both tuition and fees plus room and board for my son, but he decides to live at home?

A If your child graduated from college and does not use all of their units, they may transfer remaining units to another family member, defer use (in case of graduate school), or obtain a refund.

Q Can I contribute to the BEST plan and an Education IRA in the same year?

A No, contributions are not permitted to both plans in the same year for the same beneficiary. You may contribute to each plan in different years or different beneficiaries. Contributions to an Education IRA are currently limited to \$500 per year.

Call us...

Toll Free!

1-888-486-BEST



Visit Our Web Site

www.treasury.state.tn.us/best.htm

Speakers Available

BEST Marketing Representatives are available free of charge to provide presentations to anyone interested in learning more about the program. Help us spread the word about this exciting program. To arrange to have a speaker at your next Rotary, Lions, Kiwanis, PTA/PTO, service club, civic or church organization, etc., call the BEST Customer Service Hotline at **1-888-486-BEST**.

Program Statistics

- ✓ 2,993 participants have been enrolled totaling over \$6.6 million in assets
- ✓ 276,700 units have been sold

Counts as of June 30, 1998

The BEST News is published semiannually to keep participants of the Baccalaureate Education System Trust informed of program enhancements and other program activities. Please send your comments and/or suggestions regarding article topics for future issues to: Doris H. Goodson, Editor, Baccalaureate Education System Trust, P.O. Box 198786, Nashville, TN 37219-8786.

The information in this newsletter is subject to legislative change and judicial interpretation. It does not supersede nor restrict procedures or authority established under state or federal law. Statutory authority for BEST is contained in T.C.A., Title 49, Chapter 7, Part 8.

The Tennessee Department of Treasury operates all programs and activities free from discrimination on the basis of sex, race or any other classification protected by federal or Tennessee state law. Individuals with disabilities who may require an alternative communication format for this or other Treasury Department publication, should contact the Treasury ADA coordinator at 615-741-4985.



Treasury Department; July 1998; Authorization No. 309127; 10,000 copies. This public document was printed at a cost of \$.03 per copy.